

1 or not he was appropriately paying himself and others?

2 A Right. Right.

3 Q This is about the condition of the inn I'm talking
4 about?

5 A No.

6 Q So you never put Holland on notice prior to October
7 of '08 that you were considering a lawsuit against him?

8 A Right.

9 Q For misrepresentations in the condition of the
10 property?

11 A Right.

12 Q At one point the documents were filed with Munden's
13 name on it, correct?

14 A Right.

15 Q Did you ever put her on notice before October of '08
16 that she was being considered as someone complacent with fraud?

17 A No.

18 Q Why was Munden's name dropped?

19 A She called me and swore she didn't know anything
20 about it and I believed her.

21 Q Okay. So it was really just her appealing to your
22 sensibilities?

23 A Right.

24 Q Did she make any threats that she was going to bring an
25 action if you sued her?

1 A Yes.

2 Q Okay. So it was more than just her saying I had
3 nothing to do with it?

4 A I had already told her I wasn't going to keep her in
5 it if she didn't know anything about. And she said "Well, if
6 you do I'm going to sue you" so her suing me was an after what I'd
7 already said to her so.

8 Q But, sir, what I'm getting to was her threat to sue
9 you that caused you to drop her from the lawsuit?

10 A Absolutely not. Like I just got through saying I
11 had already told her I was dropping her before she threatened to
12 sue me.

13 Q Did she threaten to sue you in writing?

14 A No.

15 Q You had this conversation with her over the phone?

16 A Yes.

17 Q Why do you think Connie Munden had something to do
18 with the fraud?

19 A Because she was the broker in charge and she should
20 have revealed the presence of polybutylene.

21 Q You think she knew about the PBE pipes?

22 A If she knew about it, yeah.

23 Q You're not sure?

24 A Well, she said she didn't so I believed her.

25 Q But at one point you thought she did?

1 A Initially, yes.

2 Q Was it just the pipes or was it the financial
3 condition of the inn that she---

4 A No, it was just the pipes.

5 Q Sir, you're not letting me finish my question.

6 A I'm sorry.

7 Q Was it just the condition of the pipes or was it the
8 financial condition of the inn that you felt at one point that
9 she committed some fraud?

10 A No. Just the pipes.

11 Q How about Robert Holland; was it just the pipes or
12 the financial condition of the inn?

13 A All of it -- both.

14 MR. PAYNE: Mike, are we at a good breaking point
15 maybe to take a little break?

16 MR. NELSON: Yeah, we are.

17 (Thereupon, a recess is taken from 3:37 p.m. to
18 3:48 p.m.)

19 Q At some point you received a real estate appraisal
20 that said the property was a business that was going to fail unless
21 the model changed, right?

22 A That was from -- that wasn't an appraisal that was
23 from David Worley when they did that repeat audit.

24 Q That was the audit?

25 A Yeah. They suggested I sue the Michels. Yeah.

1 Q Worley suggested you sue the Michels?

2 A Yeah. I didn't want to do that.

3 Q Were you surprised by the outcome of that audit?

4 A No, not at all.

5 Q Why did you have that audit done?

6 A I explained to you earlier for a bank loan they
7 wanted it.

8 Q Did you turn that over to a financial institution
9 that audit?

10 A Yes. Carolina First.

11 Q Did you share the audit with the Michels?

12 A No.

13 Q Okay. How soon after you purchased Richmond Hill
14 Inn did The Hammocks start laying people off?

15 A July of '06 when I took over.

16 Q What do you mean when you took over?

17 A Well, when I started taking over running the place.

18 Q Before July of '06 you didn't do that?

19 A No.

20 Q Who was running the place before that?

21 A Bland Holland.

22 Q So when Bland Holland was terminated you became more
23 active in Richmond Hill Inn?

24 A Yes.

25 Q Had Bland Holland laid anybody off prior to you

1 firing him?

2 A I don't know. I have no idea what he did. Not that
3 I know of. He'd hired a bunch of people. I don't know if he'd
4 laid anybody off or not.

5 Q These layoffs were they a necessity because the
6 business was doing so bad financially you couldn't afford to
7 keep staff on or was it part of this plan to reduce staff and
8 become more efficient?

9 A When I started laying off it was a plan to lay
10 people off that had been given massive raises and were making a
11 lot more than the market would justify and to reduce labor cost.

12 Q But it wasn't like you were running so much in the
13 red you couldn't afford to keep them on?

14 A No.

15 Q Did there come a point where you started laying
16 people off because you couldn't afford to keep them on?

17 A In January -- I mean, in November of '08 we started
18 laying people off for that reason. But normally we wouldn't
19 have laid them off until the end of December instead of the
20 beginning.

21 Q The revenues for the three years that you owned
22 Richmond Hill Inn, I'm not including '05 but '06, '07, '08 were
23 the revenues about the same every year?

24 A No, they decreased each year. '06 was probably our
25 best year while we owned it and then '07 went down. I don't

1 know how much in '08 it was down a lot more because of the
2 economy.

3 Q Did you attribute it to the economy?

4 A Yes. We kept all our ratings and had gotten lots
5 and lots of accolades and just this year in January we were
6 featured on the Today Show and Travel and Leisure nominated us
7 or gave us a reward for being the best hotel in the whole world
8 for under \$250.

9 Q Do you have copies of the Travel and Leisure
10 article?

11 A I don't. It's online, I think under Travel and
12 Leisure.

13 Q Did somebody from Travel and Leisure come and
14 evaluate your---

15 A Yes, I think they did. I wasn't there but I think
16 they did.

17 Q Did you receive notice afterwards that they had been
18 there?

19 A I received the notice when we got that certificate.

20 Q How did you find out about The Today Show?

21 A My wife saw it on TV. So did some other people who
22 told me about it. I never saw it.

23 Q Now, I understand that there's different ways to
24 rate restaurants in diamond awards. Can you take me through
25 that a little bit how that works?

1 A In the United States there are basically two
2 different ratings, one is Mobile which gives stars and AAA which
3 gives diamonds. Five is the top rating.

4 Q For both?

5 A For both, yes.

6 Q At the time of the fire what was your rating?

7 A Four for both.

8 Q At the time you purchased the Richmond Hill Inn?

9 A Four.

10 Q While The Hammocks owned Richmond Hill, did The
11 Hammocks do any customer satisfaction surveys?

12 A We gave something to every one of our customers, a
13 card to fill out. Very, very few negative ones.

14 Q At the time of the fire, did you still have a
15 process where you'd give customers those cards?

16 A Right. As far as I know we did.

17 Q Did you ever do an overall score or management
18 evaluation of what the customer satisfaction surveys were?

19 A No. I don't think so.

20 Q Who had the responsibility to review the cards?

21 A Susie Zimmerman handled all of that.

22 Q From time to time would there be a restaurant critic
23 to visit the restaurant?

24 A Fairly frequently, actually.

25 Q At any point while you owned the Richmond Hill Inn

1 have a negative criticism?

2 A Not that I'm aware of it. We always got rave
3 reviews. And considered the best place to eat in Western North
4 Carolina.

5 Q Was that true at the time of the fire?

6 A Yes.

7 Q So as far as you are concerned the customer
8 satisfaction and the critics felt that the Richmond Hill Inn was
9 performing as well at the time of the fire as it was at the time
10 you purchased it?

11 A Oh better, I think.

12 Q Better. Service and----

13 A Everything was better.

14 Q Service and food had both improved?

15 A Accommodations. We had upgraded linens, we had just
16 upgraded everything, beds, linens. Pretty much everything that
17 needed to be upgraded.

18 Q Did you ever have any complaints with the Better
19 Business Bureau?

20 A Not until after the fire. That I know of.

21 Q What were the complaints after the fire?

22 A We weren't refunding people's deposits.

23 Q Did you ever have any Department of Health
24 evaluations to find you had health violations?

25 A No. We had inspections both in the restaurant and

1 the inn. I know the inn is usually just about once a year, the
2 restaurant is about every three months and sometimes we'd get a
3 score of 100 sometimes a 96. So there was always at times
4 little things that they find, somebody doesn't have their hat on
5 or the stairs are slick or someone didn't put something in the
6 freezer where it needs to be.

7 Q But nothing that you would consider to be a failing
8 result?

9 A No. Nothing below that I know of 96.

10 Q Did you ever have any inspection by the fire
11 departments?

12 A As far as I know they did, yes.

13 Q You ever had any citations or a violation?

14 A Not that I know of. Cedric's the one that handles
15 everything like that.

16 Q Okay. Can you take me through your discovery of the
17 Richmond Hill Inn and why you chose to buy it?

18 A Yes. We could not find a project in South Carolina
19 that made sense to Jim Sloggart and myself to develop. And then
20 I looked in the Charlotte area, again could not find anything
21 that I thought would be good to do. And so my sisters and I
22 decided we wanted to buy a farm here in Asheville and so we
23 looked at farms or I looked at farms, put in some contracts on
24 some stuff. And then one of my sisters, the one that's real
25 poor wanted to run an inn or a bed and breakfast.

1 Q What sister's that?

2 A Cathy Mullins. She was interested in doing that.

3 She was out of work at the time. So we started looking at bed

4 and breakfasts in the area and somehow or another someone showed

5 us that. And so it both had the developmental aspect of what

6 Jim Sloggart had wanted to do and the bed and breakfast thing.

7 Q Was the idea that Cathy Mullins was supposed to run
8 the Richmond Hill Inn?

9 A No. The idea was that she might come up there and
10 work. She wasn't capable of running it.

11 Q That was in 2005?

12 A Right.

13 Q How did you arrive at the price?

14 A That's what the Michels insisted on. And then we
15 got the appraisal and we figured that sounds like a pretty
16 decent price then compared to what the appraisal was.

17 Q Had Sloggart been at the Richmond Hill Inn prior to
18 the purchase?

19 A Oh yes. A number of times.

20 Q And Love had been at the Richmond Hill Inn prior to
21 purchase?

22 A Yes.

23 Q And they both agreed that's the direction?

24 A Right. But I try to do everything on a consensus.

25 Q But you found this location, you're the one that

1 brought it back to them?

2 A Right.

3 Q What kind of due diligence did you do before you
4 purchased it?

5 A Not what I should've done. The previous -- there
6 had been a previous buyer and he had done some due diligence and
7 they guaranteed me I'd get all of that but then they never
8 provided it. Basically, going around looking at the property,
9 room to room, checking it out, asking lots and lots of questions
10 of Bland Holland and some of Dr. Michels.

11 Q Did you look at any books?

12 A I looked at the books.

13 Q Did you have anybody look at the books for you?

14 A No.

15 Q So you just looked at the books?

16 A Right.

17 Q Do you have an accounting background?

18 A No.

19 Q Do you feel like you're qualified to look at the
20 books and decide---

21 A No.

22 Q Let me finish my question. Do you feel like you're
23 qualified to look at the books and decide whether or not the
24 business is thriving or how much it's operating at a loss?

25 A I think I can figure that out. I knew it was

1 operating at a loss.

2 Q Did you know at the time you purchased it how much
3 of a loss it was?

4 A No.

5 Q So when you looked at the books and records, did you
6 determine how much of a loss it was operating under or did you
7 not?

8 A I determined what it appeared to be, yes, at the
9 time.

10 Q How much did it appear to be losing?

11 A Several --- hundred thousand plus a year.

12 Q What was the basis of that conclusion?

13 A What the books showed.

14 Q When you say "the books," are you talking about the
15 annual reports?

16 A Right.

17 Q Tax returns?

18 A Yes.

19 Q Ledgers?

20 A Yes. They didn't really have ledgers, everything's
21 on computers. The printouts.

22 Q We've talked about all your attempts to--- Strike
23 that.

24 We talked about all the attempts to sell the
25 Richmond Hill Inn, where the offers were what you would consider

1 to be serious offers, correct?

2 A Correct.

3 Q No other offers that were serious offers?

4 A No.

5 Q Besides -- this is your own personal finances now.

6 Besides the income you get from rental units that you and your
7 wife own, do you have income coming in from any other source?

8 A No.

9 Q Do you have a personal account that you use?

10 A Yes, I do.

11 Q What's the personal account that you use now?

12 A It's with Wachovia.

13 Q And they do your accounting for your personal
14 finances?

15 A No.

16 Q Who does the accounting for your personal finances?

17 A We do and then we send it to a tax preparer in
18 California that we've used since we lived out there.

19 Q And who is that person?

20 A I don't know. My wife handles it.

21 Q I'm sorry?

22 A My wife handles it. I don't know.

23 Q Well, how do you personally afford to live?

24 A The income from my apartments.

25 Q But how is that given to you? How do you get that?

1 A In rent.

2 Q I understand that. But the rent is flowing to
3 certain bank accounts, correct?

4 A That's correct.

5 Q And then you take the money or you get money to
6 live, to pay for your mortgage and your food and your cars and
7 your insurance?

8 A Correct.

9 Q So do you get a certain amount of money every month
10 for those purposes?

11 A Yes.

12 Q You get in essence an allowance?

13 A Yes.

14 Q How much is your monthly allowance that you take?

15 A A little less than \$10,000 a month.

16 Q 10,000 a month?

17 A Yes.

18 Q How much income is generated from the apartments on
19 a yearly basis?

20 A I don't know. You'd have to look at the tax returns
21 because I've sold some in the last two years to support the inn.
22 So I don't know what it is at this point. It's around about
23 \$300,000, I think is what it was running.

24 Q Income per year for you and your wife?

25 A Right.

1 Q Okay. The \$10,000 per month that you get, do you
2 have to pay for any mortgages on any properties that you live
3 in?

4 A Yes.

5 Q Where do you have mortgages?

6 A At the house in Mooresville.

7 Q Okay. Any other properties? That you're
8 responsible for?

9 A No.

10 Q Is it fair to say, sir, that basically you take the
11 \$10,000 amount of money every month and with that you have
12 certain financial obligations?

13 A Correct.

14 Q And then your wife has certain financial
15 obligations?

16 A Correct.

17 Q Does she take \$10,000 a month?

18 A I don't know what she takes. She just covers the
19 bills.

20 Q Besides the mortgage in Mooresville, are you
21 responsible for your car payment or do you have a car payment?

22 A No.

23 Q You're responsible for the insurance on the car?

24 A No, she pays that.

25 Q Are you responsible for health insurance?

1 A She pays that.

2 Q Do you have any other -- I guess cable and
3 telephone, cell phone and stuff like that?

4 A Basically, yeah.

5 Q And you pay all those bills yourself?

6 A Yes.

7 Q Do you have a separate checking account for those
8 purposes as opposed to what she has or do you have a joint
9 checking?

10 A Yes. We have joint accounts too but I just write
11 checks off of my account.

12 Q What bank is that with?

13 A Wachovia.

14 Q How much is your debt obligations for your mortgage
15 in Mooresville?

16 A That's 6,800.

17 Q That's each month?

18 A Yes.

19 Q I understand you used to own a piece of property up
20 here as well that you used to live in from time to time?

21 A No.

22 Q Never had another house up here?

23 A Yes. But I didn't own it.

24 Q Who owned that?

25 A I rented it from somebody.

1 Q Where was that property located?
2 A Off Lester Highway.
3 Q When did you stop renting that?
4 A In September -- August of '08.
5 Q Do you have any children?
6 A Yes.
7 Q How many children?
8 A It depends on what you count as kids. We have one
9 daughter and then we have about 30 other kids that have lived in
10 our home at one time or another.
11 Q So you have one biological daughter?
12 A She's adopted.
13 Q She's adopted as well?
14 A She was a foster kid that we adopted.
15 Q So you have no biological children?
16 A No.
17 Q The 30 other children were they ever legally
18 adopted?
19 A No.
20 Q Do you still consider them your children?
21 A Uh-huh.
22 Q Is that a yes?
23 A Yes.
24 Q What's the youngest of the ages of those 30?
25 A I would say 26 or some like that, maybe 28.

1 Q And how old is the oldest?

2 A Probably 60. Or getting close to that.

3 Q You kind of laughed when you said about 30 so?

4 A We've had a lot more than that but those are the
5 ones that kind of keep contact with.

6 Q Are they foster children?

7 A Some of them are foster children, some of them are
8 foreign students. I run a program the Children of American
9 Soldiers that have been abandoned overseas and I bring them to
10 the states and give them a home, help them buy cars, apartments,
11 houses, put them through college sometimes.

12 Q But of these children 26 to 60 years old, have any
13 of them been formally adopted by you?

14 A No.

15 Q Do you financially support any of these children?

16 A Not at the moment.

17 Q They're all adults now?

18 A They're all adults.

19 Q When did you stop formally -- when did you stop---

20 A The last one moved out last summer.

21 Q And where was this person living?

22 A Living?

23 Q Yeah.

24 A He was living in Mooresville.

25 Q What was that person's name?

1 A Jack Caples.

2 Q Can you spell Jack's last name?

3 A C-A-P-L-E-S.

4 Q At one point did you have this kind of relationship
5 with a person named William as well?

6 A William is the stepfather of one of my other kids.
7 And he couldn't get a job in Mooresville so I brought him up
8 here to work in maintenance and he worked for about a year and a
9 half. We really didn't need him anymore so I laid him off.
10 He's probably 50 something.

11 Q Did Jack or William live with you on Lester Highway?

12 A William did.

13 Q Do you have any or have you ever had any tax liens
14 on your personal taxes?

15 A Not that I'm aware of.

16 Q You file your tax returns every year?

17 A Oh yes.

18 Q Personal tax returns?

19 A Yes.

20 Q Have you had tax liens on any other business entity
21 that you've been associated with?

22 A No.

23 Q Have you ever been the subject of an audit by the
24 IRS?

25 A Yeah, back in 1970 something.

1 Q Dr. Gray, I'd like you to look at the photographs
2 that have been marked 12a and 12b. Do you recognize the scenes
3 depicted in those photographs?

4 (Thereupon, Exhibit Numbers 12a and 12b are marked
5 for identification.)

6 A No, I don't.

7 Q Have you ever been into what some people refer to as
8 the office in the basement of the mansion?

9 A Once or twice to talk to the chef.

10 Q Are you familiar with how the sprinkler system works
11 in the building?

12 A No, I'm not.

13 Q Do you see the sign that says fire sprinkler system
14 shut off?

15 A Yes.

16 Q Do you know how long that's been there?

17 A I don't know.

18 Q Do you see right above the sign there's a wrench
19 there?

20 A No.

21 Q On top of the red box?

22 A Is that a wrench? Okay. Yeah, I see something. I
23 don't know what it is.

24 Q Do you know how the wrench came to be there?

25 A No. I have no idea.

1 Q Do you know how to turn off the sprinkler system so
2 that water doesn't flow to the sprinklers?

3 A No, I don't.

4 Q Do you know when the sprinkler system was last
5 evaluated by an outside agency?

6 A No. Cedric would know but I don't.

7 Q Are you aware that you had a company called I'm
8 going to murder the pronunciation but it's Debiaca [phonetic]?

9 A No.

10 Q That managed your sprinkler inspection?

11 A No, I did not.

12 Q Were you aware that in January of 2009 they came to
13 check the back flow test on the sprinkler system?

14 A No.

15 Q Were you aware that there was some conversation
16 between Cedric and the sprinkler inspection company about doing
17 the yearly sprinkler inspection at that time and Cedric said
18 that the sprinkler system could not be tested cause they
19 couldn't afford to pay for the tests?

20 A No, I wasn't aware he told them that.

21 Q That's the first time you've heard that?

22 A Yes.

23 Q By the way, do you have any personal credit cards
24 where you've accumulated a balance?

25 A For the inn?

1 Q For yourself?

2 A Yes.

3 Q How many credit cards do you have that has a balance
4 on them presently?

5 A Three, four.

6 Q What kind of credit cards do you have that have
7 balances on them?

8 A I have one that has about \$8,000 on it and then I
9 have three that I use to buy things for the inn and they have
10 approximately \$4,000 on all three of them.

11 Q Is that 4,000 combined?

12 A Uh-huh.

13 Q Is that a yes?

14 A Yes.

15 Q The one that has the \$8,000 is that for your
16 personal expenses?

17 A That's personal.

18 Q What credit card is that with -- what bank is that
19 through?

20 A It used to be with Wachovia but they've sold it off
21 to somebody else now.

22 Q At the time of the fire did that Wachovia credit
23 card have an \$8,000 balance?

24 A Probably. I don't pay the bill, my wife does but I
25 think probably something like that.

1 Q Do you have a personal line of credit with anybody?

2 A On our house in Roanoke we do. It's a joint line of
3 credit.

4 Q Do you know how much that personal line of credit is
5 for?

6 A No, I don't.

7 Q Do you know if there's any credit remaining on that?

8 A Yeah, there's a lot.

9 MR. PAYNE: Just so I understand. Are you asking
10 available credit or credit line amount?

11 Q I was just going to clarify that. So as far as
12 you're concerned this personal line of credit has available
13 credit available to you?

14 A Yes.

15 Q But you don't know how much that is?

16 A No.

17 Q Have you ever defaulted on a personal loan?

18 A No.

19 Q Have you checked your credit score recently?

20 A No.

21 Q Do you have any sense of what your credit score is?

22 A No.

23 Q Dr. Gray, I'm showing you what's marked as 13a and
24 b. They're two photographs. Do you recognize what's depicted
25 in those photographs?

1 (Therefore, Exhibit Numbers 13a and 13b are marked
2 for identification.)

3 A The burned-out kitchen.

4 Q In the mansion?

5 A Yes.

6 Q Do you see the stove that's depicted in the middle
7 of 13b?

8 A In this one?

9 Q Yes.

10 A Yes.

11 Q Do you see where there's a blue or red and a yellow
12 line coming out the top of it?

13 A Right.

14 Q Do you know if this stove was working properly at
15 the time of the fire?

16 A I have no idea.

17 Q Have you ever used that stove for any reason?

18 A No.

19 Q Have you ever cooked in the kitchen?

20 A No.

21 Q I'm sorry. When did you say the last time you were
22 in the mansion?

23 A Monday before the fire about noontime.

24 Q Did you smell anything unusual at the time you were
25 there?

1 A No.

2 Q Did anybody ever complain to you about the smell of
3 natural gas coming off a cooking appliance?

4 A Yes. In the past there were times when there was a
5 down draft and it would blow the pilot light out. And then you
6 would get a smell coming out of the kitchen.

7 Q When did that occur?

8 A I don't know. I just know that it happened in the
9 past.

10 Q Besides that pilot light smell associated with the
11 pilot light, anybody ever complain that there was a much
12 stronger odor of gas in the kitchen?

13 A Not that I'm aware of. But they wouldn't have
14 complained to me anyway so.

15 Q But you don't know of any complaints by anybody,
16 right?

17 A No. They would have complained to Cedric and he
18 would have gone and tried to find out what it was.

19 Q Dr. Gray, do you know of anybody who would have a
20 financial motive to burn this place down, the mansion, other
21 than the people we've already talked about earlier today?

22 A No.

23 Q Can you think of anybody who had a better
24 opportunity than someone who was staying at the facility on the
25 night of the fire to start the fire?

1 A No.

2 Q Do you have any reason to believe that the mansion
3 was unlocked at the time of the fire?

4 A No, I don't think it was unlocked.

5 Q You think it was locked?

6 A Yes. My staff is pretty good about locking things
7 up especially since we'd had those thefts back in the fall.
8 They were a lot more self-conscious of keeping things locked.

9 Q Okay. I have to ask these questions every time I do
10 one of these, Dr. Gray, and I don't mean to be insulting in any
11 way but I'm going to ask you a few more like that, okay.

12 A Sure.

13 Q Did you cause the fire?

14 A No, I did not.

15 Q Did you ask anybody to start the fire for you?

16 A No, I did not.

17 Q Let me finish the question before you respond.

18 A Okay.

19 Q Did you ask anybody to start the fire for you?

20 A No, I did not.

21 Q Did you have any advance notice that there was going to
22 be some kind of a mishap or destruction of property at the
23 mansion that night?

24 A No, I did not.

25 Q Have you heard of anybody insinuating anybody

1 related to The Hammocks as being the cause of the fire? Has
2 anybody suggested that?

3 A No. No one's suggested that to me.

4 Q Has anybody ever accused you of starting this fire?

5 A No.

6 Q Dr. Gray, do you currently hold a medical license?

7 A No, I do not.

8 Q When did you give up your license in the state of
9 California?

10 A California. I don't really remember. I think my
11 license was suspended in the state of Virginia in 1991 or '92,
12 something like that. And I kept the license in California for a
13 couple more years.

14 Q Did you relinquish it or were you asked to give it
15 up?

16 A I relinquished it. I wasn't going back into
17 practice.

18 Q So you voluntarily gave up the license
19 in California?

20 A I did but I don't know if they asked for it or not.
21 I was overseas at the time.

22 Q Do you think your license in California was
23 voluntarily surrendered by you?

24 A Yeah.

25 Q And how about your license in---

1 MR. PAYNE: I don't think he's through. Were you
2 through with your answer?

3 A Honestly, I can't say. The lawyer called my wife
4 and asked what I wanted to do and I said just do whatever is
5 appropriate. So I don't know what he did.

6 Q What lawyer?

7 A That was handling my lawsuit. The suspension of my
8 license in Virginia.

9 Q Did your license in North Carolina get suspended?

10 A I gave it up too but it got suspended.

11 Q So can I take from your testimony that the license
12 in California may have been suspended or you may have
13 voluntarily relinquished that?

14 A Yes.

15 Q And your license in North Carolina was suspended?

16 A Yes.

17 Q And your license in Virginia was suspended?

18 A I gave it up and then they went on and suspended it
19 anyway.

20 Q Okay. What was the name of your lawyer that handled
21 these issues for you?

22 A I don't know. He's dead. He had a brain tumor at
23 the time. I can't remember his name.

24 Q What was the reason your license was suspended?

25 A I was allegedly to have had sex with five of my male

1 patients.

2 Q Was there any truth to the allegations?

3 A Not from my point of view.

4 Q You said it was completely false?

5 A Yes.

6 Q What was the reason why your license was suspended
7 in North Carolina?

8 A Because of Virginia.

9 Q What was the reason that you had this inquiry to
10 your license in California?

11 A For Virginia.

12 Q Have you ever been arrested?

13 A Yes.

14 Q When were you arrested?

15 A I don't know the dates but interfering with a police
16 officer.

17 Q Interfering with a police officer?

18 A Uh-huh.

19 Q What state did that happen in?

20 A In Virginia.

21 Q How were you interfering with a police officer?

22 A Telling him to get off my property.

23 Q And you were arrested just for that?

24 A Yes.

25 Q Were you arrested for any other reasons?

1 A Assault on a female when I grabbed one of the nurses
2 at the assisted living that I fired and she was going around
3 trying to get everybody to move out.

4 Q When did that happen?

5 A '92, '93 maybe.

6 Q When did you get arrested for interfering with a
7 police officer?

8 A Back in -- excuse me. It was in -- let me retract
9 that. With the nurse it was 2002 or 2003, something like that.
10 With the police officer it was 1991 or 1992, somewhere in there.

11 Q Were you found guilty?

12 A For both of them.

13 Q Have you ever done any prison time?

14 A I was in prison for three and a half years during
15 the war.

16 Q What war was that?

17 A World War II.

18 Q How old were you at the time?

19 A Two, three, four.

20 Q Have you been imprisoned at any other time?

21 A No.

22 Q Have you been incarcerated in any way related to
23 either one of these arrests?

24 A No.

25 Q Were you arrested in any way associated with these

1 allegations of sexual misconduct?

2 A No. I just turned myself in. That's not correct.

3 On one of them I was arrested and released on my own
4 recognizance.

5 Q Where were you arrested?

6 A In my office.

7 Q What state?

8 A Virginia. Roanoke, Virginia.

9 Q Were you taken away in handcuffs?

10 A No.

11 Q Were you taken to a police station at that point?

12 A Yes.

13 Q Were you booked?

14 A Yes.

15 Q What was the disposition of the charges against you
16 that resulted in you being arrested in Virginia?

17 A Not guilty.

18 Q Not guilty. Were the charges dismissed?

19 A I guess so.

20 Q Were you found not guilty?

21 A Yes.

22 Q You had a trial?

23 A Yes.

24 Q Did you enter into any plea arrangements with
25 anybody associated with the charges of sexual misconduct?

1 A That was a different case. And yes, I agreed to
2 give up my license.

3 Q When were you arrested in your office, what year?

4 A I don't know. 1990.

5 Q When were you arrested associated with the charges
6 you pled in some fashion to?

7 MR. PAYNE: Hold just a minute. Go off the record.

8 (Discussion off the record.)

9 Q Did you agree to give up your license in exchange
10 for dismissal of charges against you?

11 A On one thing, yes.

12 Q When did you reach that agreement?

13 A I don't remember, sometime 1992 maybe. '91. I
14 don't remember.

15 Q What state was that in?

16 A Virginia.

17 Q The plea agreement did it require you to plead no
18 contest or nolo contendere?

19 A No, it didn't.

20 Q Just an agreement to give your license up and the
21 charges would be dropped?

22 A Yes.

23 Q Has anybody else ever accused you of sexual
24 harassment or molestation besides these two issues?

25 A Actually, yes. In California that's where all this

1 really started. We had a foster kid that we were adopting and
2 we found out he had been molesting our daughter and we
3 confronted him on that and he ran away to the girlfriend's
4 house. And he gave them the story I was trying to molest him
5 and that was never prosecuted. And then the medical board had a
6 hearing on that and dismissed that. But my niece was there at
7 the time, she's the one that told us about our daughter and she
8 had told one of these guys that -- they all lived in my office
9 basement apartment cause they were homeless at one time or
10 another about that and that's where that came back from.

11 Q When was the California Medical Board inquiry into
12 those allegations?

13 A That was back in the 1980s. I guess somewhere in
14 there. Or 1970's. I don't remember.

15 Q Where in California did you live at the time?

16 A San Diego.

17 Q Has anyone else ever made a complaint of any kind to
18 anybody that you sexually molested them or sexually harassed
19 them in any way?

20 A Not that I'm aware of. That's not correct. With
21 that particular case in California they went to two of our other
22 former foster kids that were in institutions and got them to say
23 I had and then they didn't testified to that so.

24 Q You said "they went to," who's the "they"?

25 A Some authority for the Social Services, I think.

1 Q So some civil authority you feel went to these
2 children and got them to say---

3 A That I may be have been trying to molest them. They
4 weren't sure.

5 Q Have you ever falsified the prescription of some
6 type of controlled narcotic?

7 A Never.

8 Q Have you ever given controlled narcotics to underage
9 children?

10 A Never.

11 Q You realize there's charges that you did that,
12 correct?

13 A No. Not that I'm aware of.

14 Q Have you ever been accused of falsifying any
15 documents associated with treatment of any patients?

16 A No.. Not that I'm aware of.

17 MR. NELSON: Can we just take five minutes?

18 (Thereupon, a recess is taken from 4:34 p.m. to
19 4:36 p.m.)

20 Q Dr. Gray, I just have a few more questions and then
21 we'll continue on as we discussed tomorrow. Do you deny that
22 you ever had any inappropriate conduct with any of your patients
23 at any point?

24 A I do.

25 Q So anybody who's ever accused you of any of this has

1 been accusing you falsely?

2 A Yes.

3 Q Is there any aspect of your testimony today that you
4 feel like you need to go back and correct?

5 A I guess one point. The judge pointed out -- you
6 were talking about the reporter that had confronted me at the
7 inn one day and asked me if we were giving the deposits back or
8 something like that, what the wording was. Or if I was the
9 owner of the inn, I guess is what you asked. And he didn't ask
10 me that, he asked, "Are you Dr. Gray?" And I said "No." And I
11 walked in the inn.

12 Q Why did you deny that you were Dr. Gray?

13 A Cause I didn't want to answer his questions at that
14 time because I hadn't talked to my staff since Friday and I
15 didn't know what was going on.

16 Q Okay. Anything else you want to correct?

17 A No, that's it.

18 MR. NELSON: Well, let's close the record for today,
19 okay. Thank you.

20

21

22

AND FURTHER DEPONENT SAITH NOT

23

(Deposition Adjourned: 4:37 p.m.)

24

25

Dr. William Gray, Vol. I

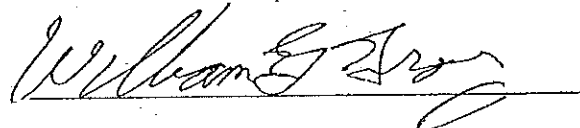
Page 218

WITNESS CERTIFICATION

I, DR. WILLIAM GRAY, hereby certify,

That, I have read and examined the contents of the
foregoing 217 pages of record of testimony as given by me at the
time and place herein aforementioned;

And that to the best of my knowledge and belief, the
foregoing 217 pages are a complete and accurate record of all of
the testimony given by me at said time, except as to where noted
on the attached errata addenda.

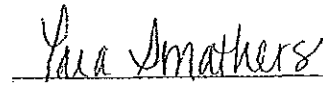


DR. WILLIAM GRAY

Sworn to and subscribed before me,

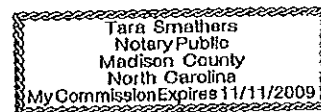
this the 22nd day

of July, 2009.



Notary Public

My Commission Expires: 11-11-09



1 STATE OF NORTH CAROLINA

CERTIFICATE

2 COUNTY OF DAVIE

3 I, DEBORAH O. EMERT, CVR, Verbatim Court Reporter
4 and a Notary Public in and for the County of Davie, State of
5 North Carolina, do hereby certify;

6 That there appeared before me the foregoing witness
7 at the time and place herein aforementioned; that the foregoing
8 pages 1 through 217, inclusive, constitute a true and correct
9 transcription of the proceedings.

10 I do further certify that the persons were present
11 as stated in the appearances.

12 I do further certify that I am not of counsel for,
13 or in the employment of, either of the parties in this action,
14 nor am I interested in the results of this action.

15 IN WITNESS WHEREOF, I have set my hand on this the
16 24 day of June 2009.

17

18

19

20

21



22

Deborah O. Emert, CVR

23

Davie County, North Carolina

24

Notary Number: 19950950039

25

ERRATA SHEET FOR THE TRANSCRIPT OF:

Case Name: IN THE MATTER OF THE HAMMOCKS LLC d/b/a THE
RICHMOND HILL INN
Case Number: SO-840619
Dep. Date: June 10, 2009
Deponent: DR. WILLIAM GRAY

CORRECTIONS:

Pg.	Ln.	Now Reads	Should Read	Reasons Therefore
17	25	Elderlin (phonetic) Services	Elder Living Services, LLC	
82	22	Skip Freiburg, should include Jim Sloggatt		
167	11	either for years	for a year	


Signature of Deponent